

110TH CONGRESS
1ST SESSION

H. R. 3876

To amend the Internal Revenue Code of 1986 to limit the deductibility
of excessive rates of executive compensation.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 17, 2007

Ms. LEE (for herself, Mr. ELLISON, and Mr. GRIJALVA) introduced the
following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to limit the
deductibility of excessive rates of executive compensation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Income Equity Act
5 of 2007”.

6 **SEC. 2. DENIAL OF DEDUCTION FOR PAYMENTS OF EXCES-**
7 **SIVE COMPENSATION.**

8 (a) IN GENERAL.—Section 162 of the Internal Rev-
9 enue Code of 1986 (relating to deduction for trade or busi-

ness expenses) is amended by inserting after subsection (h) the following new subsection:

“(i) EXCESSIVE COMPENSATION.—

“(1) IN GENERAL.—No deduction shall be allowed under this chapter for any excessive compensation with respect to any full-time employee.

“(2) EXCESSIVE COMPENSATION.—For purposes of this subsection, the term ‘excessive compensation’ means, with respect to any employee, the amount by which—

“(A) the compensation for services performed by such employee during the taxable year, exceeds

“(B) an amount equal to 25 times the lowest compensation for services performed by any other full-time employee during such taxable year.

“(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) COMPENSATION.—

“(i) IN GENERAL.—The term ‘compensation’ means salary, wages, and bonuses.

“(ii) INCLUSION OF NONCASH BENEFITS.—The term ‘compensation’ includes

1 any remuneration (including benefits) in
2 any medium other than cash, but shall not
3 include—

4 “(I) any payment referred to in
5 so much of section 3121(a)(5) as pre-
6 cedes subparagraph (E) thereof, and

7 “(II) any benefit provided to or
8 on behalf of an employee if at the
9 time such benefit is provided it is rea-
10 sonable to believe that the employee
11 will be able to exclude such benefit
12 from gross income under this chapter.

13 “(iii) PART-YEAR EMPLOYEES.—In
14 the case of any part-year employee, the
15 compensation of the employee shall be
16 computed on an annualized basis.

17 “(B) EMPLOYER.—All persons treated as a
18 single employer under subsection (a) or (b) of
19 section 52 or subsection (m) or (o) of section
20 414 shall be treated as 1 employer.

21 “(4) REPORTING.—Each employer who provides
22 compensation in any taxable year to any employee in
23 an amount which is more than 25 times the amount
24 of the lowest-compensated full time employee, shall
25 file a report with the Secretary containing—

1 “(A) the compensation of the lowest-com-
2 pensated full time employee,

3 “(B) the average pay of all non-managerial
4 employees,

5 “(C) the average pay of all executive staff,
6 and

7 “(D) the exact compensation of the top 5
8 employees of the company.

9 Any such report shall be filed at such time and in
10 such manner as the Secretary may require.”.

11 (b) EFFECTIVE DATE.—The amendment made by
12 this section shall apply to taxable years beginning after
13 the date of the enactment of this Act.

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